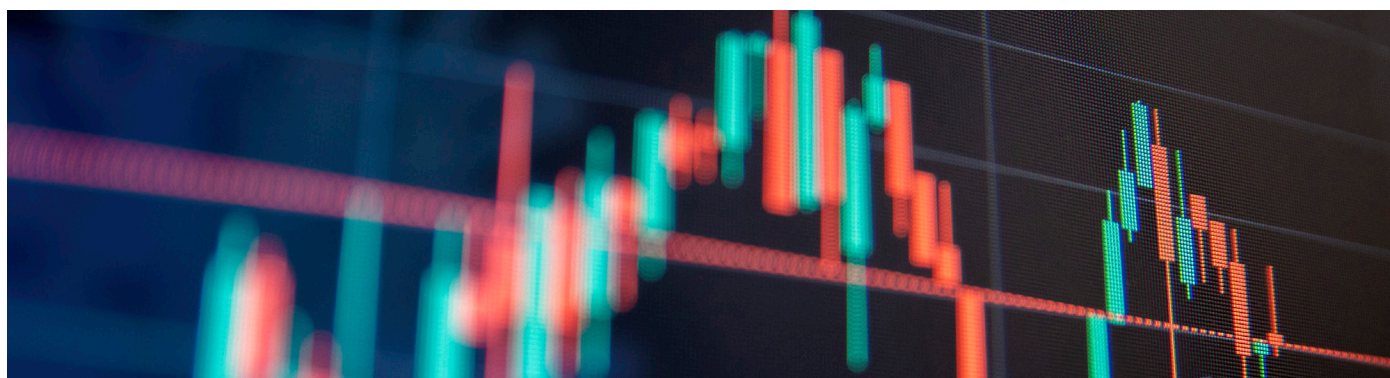


March 31, 2026

## Q1 2026 Market Commentary

### KEY TAKEAWAYS

- Q1 was a tale of two halves as markets experienced strong equity momentum in January and February, only to be disrupted with the onset of Operation Epic Fury on February 28, 2026. Volatility spiked in March and markets gave back much of the gains generated prior to the conflict. Non-U.S. equities generally outpaced domestic stocks, fixed income was roughly flat and commodities surged.
- Geopolitical risk was front and center as the U.S.-Israel military conflict with Iran escalated during the last month of the quarter. The goal posts shifted throughout the conflict: from regime replacement to military degradation, to uranium removal, to simply reopening the Strait of Hormuz. Resolution is important, however a permanent ceasefire still has much “wood to chop.” The political motivation for the current administration to resolve this is high. With midterms approaching, inflation and affordability is a top concern. Historically, geopolitical events have resulted in initial volatility, while longer term, markets have generally fared well as investors shift their focus back on underlying fundamentals.
- The conflict in the Middle East sent a supply shock through the commodity markets with the closing of the Strait of Hormuz. Oil prices surged to over \$100/barrel and roused concerns of inflation reigniting. Interest rates jumped as a result.
- The equity market sell-off led to declining equity multiples. Valuations have re-rated since the start of the year, driven by lower prices, not deteriorating fundamentals earnings growth remains positive. The S&P 500 P/E ratio ended the quarter at 19.8x, down from 22.2x to start the year.
- The U.S. economy’s fundamentals remain supportive beneath the geopolitical noise. Economic data has beaten forecast over recent months, consumer spending remains positive and manufacturing activity has moved back into expansion territory.



## Fixed Income

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- Fixed income markets were not immune to volatility during the quarter. Concerns of rising inflation stemming from spiking commodity prices were the primary driver of higher interest rates and investor expectations for rate cuts in 2026 dissipated. The Bloomberg U.S. Aggregate Bond Index was flat for the quarter.
- Risk-off sentiment spilled into the corporate credit market as both investment grade and high yield spreads moved higher during the quarter. The Bloomberg U.S. Corporate High Yield Index fell 0.5%. Growing concerns of weaker growth helped fuel the move. Despite the increase, spread levels remain below longer-term averages.

## Equity

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- A significant pre-conflict discussion centered on the disruption AI is causing in the software sector and its ripple effects weighed heavily on U.S. large cap during the quarter. Software companies had historically traded at a 50% valuation premium to the broader market and that premium has been erased since fall 2025 as AI threatens existing software business models. The S&P 500 fell 4.3% during the quarter, while U.S. small cap rose approximately 1%.
- Developed international markets had a strong start to the year, but markets reversed course following the onset of the U.S./Iran conflict. Despite the pullback in March, non-U.S. markets outpaced U.S. large cap. Emerging markets outpaced developed, driven by strength in AI related hardware companies. Developed markets (MSCI EAFE) ended the quarter down 1.2%, while emerging markets (MSCI EM) fell 0.2%.

## Real Assets

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- Commodities were the standout for the quarter, with the Bloomberg Commodity Index climbing over 20%. All major sub-sectors posted gains. Energy prices rose sharply amid the conflict involving Iran and the closure of the Strait of Hormuz, a critical chokepoint through which roughly 20% of global oil and liquefied natural gas supply flows.
- REITs rose during the first quarter and outperformed broader equities amid heightened macro and geopolitical volatility, with most sub-sectors producing a positive return. Data centers led the way in the period supported by robust hyperscaler demand tied to AI and cloud expansion.

## Disclosures & Definitions

Comparisons to any indices referenced herein are for illustrative purposes only and are not meant to imply that actual returns or volatility will be similar to the indices. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees or expenses.

- **Bloomberg Aggregate Bond Index** covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.
- **Bloomberg US Corporate High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.
- **S&P 500 Index** is a capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
- **Russell 2000 Index** consists of the 2,000 smallest U.S. companies in the Russell 3000 index.
- **MSCI EAFE Index** is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** captures large and mid-cap representation across Emerging Markets countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country.
- **Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification.
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